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SUBJECT: BERLUSCONI'S MOUTH MAKES SECOND ROME TREATY FAR  
LESS LIKELY -- AND IT COULD HAPPEN AGAIN

REF: ROME 3029

Classified By: POL MINCOUNS THOMAS COUNTRYMAN, REASONS 1.5 (D).

11. (C) SUMMARY: Berlusconi's tasteless insult to German MEP Martin Schulz reduces the likelihood of a second Treaty of Rome and exacerbates the difficulties the Prime Minister will have serving in the role of "honest broker" as European Council President-in-Office. The vast majority, non-headline-grabbing work of the Presidency will not be affected; Italy's MFA has laid the ground well to make progress on GOI priorities. END SUMMARY.

12. (C) Berlusconi's offensive rejoinder to Schulz's attacks is not unexpected, although it came earlier in the Italian Presidency than most would have predicted. Berlusconi must be extremely frustrated with the unfairness of the criticism directed against him, questioning his (and by extension, Italy's) fitness to lead Europe. This criticism, in the eyes of many Italians, comes from those who already enjoy the immunity the Prime Minister was awarded by the Italian Parliament; who have never accepted Berlusconi and his non-traditional, self-made roots; and who insist on besmirching an Italy that in 2003 bears little resemblance to the stereotypes perpetrated in much of the commentary across Europe.

13. (C) Berlusconi has used the same tactics in his domestic political battles, to great effect. When the center-left opposition attacks, he turns the attack back on them, ratcheting the volume and intensity up by degrees. It has worked, and he remains popular among his electorate. His stupid rise to Schulz's bait, however, will not win him the respect of Italy's centrist or undecided voters, and certainly is not in keeping with Italian devotion to avoiding the "brutta figura." Berlusconi's reaction was predictable, too, in that Schulz's criticism was part of a coordinated campaign among European socialists, as the PM later claimed. (NOTE: We agree it is likely that the Italian opposition provided the ammunition for Schulz's fusillade.) In responding to Schulz, Berlusconi was responding to his own opposition, employing tried and true tactics. Berlusconi is, as well, convinced of overarching collusion on the left, whether between Italy's left-wing parties and its judiciary (refuel explains why we don't think he's completely off base with this one); Italy's left and its European counterparts; or the left and the media (including both state-owned RAI and his own TV networks; certainly neither spares Berlusconi from criticism).

14. (C) Explaining his reaction does not make it any less stupid. EC President Prodi's recommendation was right. When asked how the EU could avoid "personalizing" the EU Presidency for the next six months, he replied "by not answering your question." We are hard-pressed to predict whether Berlusconi's staff and close associates can successfully train their shoot-from-the-hip, self-confident, at times arrogant, self-made tycoon-turned-Prime Minister to follow Prodi's sage advice in the case of future provocations, which will come any time he sets foot in the European Parliament. History does not suggest Silvio Berlusconi can restrain himself. His exchange with Schulz is emblematic of why Berlusconi has been a successful businessman and winner in Italy's political trench warfare, but it also shows why he may not be cut out for the role of the EU's back-room broker. Before giving up all hope, however, we note that many political and business deals are also made in back rooms, where Berlusconi's skills at persuasion, if not compromise, have been proven.

15. (C) The vast majority of work under the Italian Presidency will not be affected by the outburst. Berlusconi's prepared remarks to the European Parliament, which few will now bother to read, actually outlined a forward-looking agenda that should enjoy consensus support. The Italian MFA is well-prepared and the machinery is in place for a successful Presidency. Most GOI priorities for its semester, such as promoting further Balkans stability, closer EU-Russia relations, and EU-wide immigration reform, will continue unimpeded. Decisions that can be reached at the working level will be made. Those that must be resolved by heads of state -- and we cannot predict which those will be -- will be harder. There will be, we are certain, plenty of cases where political compromise will be in the self-interest of all, and will be reached. There may be others where this incident,

and more importantly Berlusconi's personality traits which

underpin it, may impede progress.

16. (C) His imprudence may eventually be held against him when he attempts to bring the Convention/Constitution document back to Rome after the Intergovernmental Conference (IGC) process is completed, most likely during the Irish Presidency. We suspect that lingering bad feeling and distaste may make many EU member states reluctant to allow Berlusconi to preside over the highly symbolic treaty signing ceremony, and risk another of his tirades which could mar Europe's big day. His chances may depend in part on whether and how well he apologizes to German Chancellor Schroeder in a telephone call later today.

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